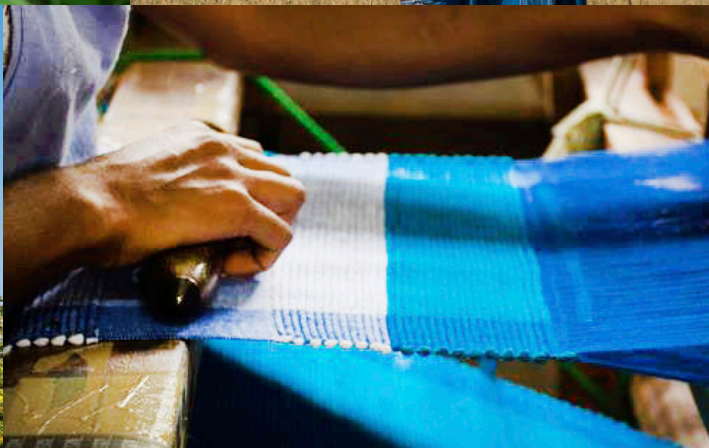


Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka

BACKGROUND NOTE



ESCAP
Economic and Social Commission
for Asia and the Pacific



UNITED NATIONS
SRI LANKA

Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka

Background Note

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ABBREVIATIONS

COVID-19	Coronavirus disease
DFI	Development finance institutions
FAO	Food and Agriculture Organization of the United Nations
GIIN	Global Impact Investing Network
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
ISBs	Inclusive and sustainable businesses
JICA	Japan International Cooperation Agency
LIIN	Lanka Impact Investing Network
MSMEs	Micro, small and medium-sized enterprises
PGS	Participatory guarantee system
SDG	Sustainable Development Goal
SMEs	Small and medium-sized enterprises
SOE	State-owned enterprises
UNDP	United Nations Development Programme
WHO	World Health Organization

1 | INTRODUCTION

The Government of Sri Lanka is embarking on ambitious reforms to cultivate a resilient and sustainable economy. Central to this vision is the exploration of opportunities to engage the private sector as a catalyst for inclusive and sustainable growth.

In this context, inclusive and sustainable businesses (ISBs) emerge as pivotal players in offering scalable innovative solutions to tackle critical challenges, including the triple crisis in food, energy and finance, as well as ongoing climate change impacts. ISBs not only provide access to essential goods and services but also contribute to livelihoods and promote inclusivity in their operations.

The Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka contains an outline of key steps to ensure a coordinated and coherent approach to harnessing the private sector's potential in driving inclusive and sustainable growth. Developed under the leadership of the Sustainable Development Council through collaborative, cross-sectoral and cross-agency consultations, the strategy is aligned with the implementation of the 2030 Agenda for Sustainable Development and the achievement of the Sustainable Development Goals (SDGs) in Sri Lanka.

The present background note offers in-depth insights and analysis to substantiate the recommendations and action points put forth in the strategy.

The process to develop the strategy included multi-stakeholder mapping, desk research, key informant interviews and focus group discussions. Initial consultations with key government and United Nations personnel identified stakeholders, set the research questions and outlined the

consultation scope. Desk research covered a variety of indicators, laws and frameworks, while semi-structured group meetings and interviews with diverse stakeholders were held to gather insights and cross-check data. Validation workshops generated participatory feedback, especially from government, the private sector and development agencies. Key informants from a variety of sectors were strategically selected, and the resulting strategic recommendations considered gender sensitivity and equity markers through qualitative and quantitative data analysis.

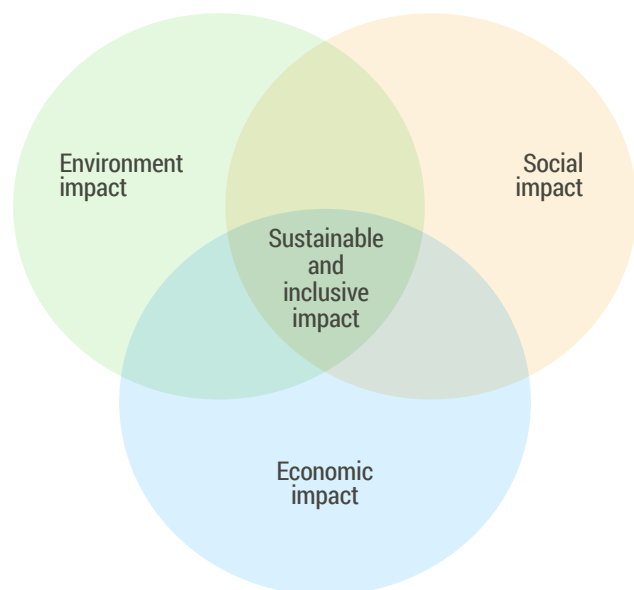
Section 2 of the present background note introduces the concept of ISBs, including its definition and the types of ISBs that contribute towards social development and environmental sustainability. Section 3 outlines key social and environmental challenges emerging vis-à-vis the impact of the coronavirus disease (COVID-19) pandemic, the economic crisis and long ongoing structural, social and environmental issues in Sri Lanka. Section 4 highlights key social and environmental areas where opportunities emerge for ISBs to make a significant contribution. Lastly, section 5 explores the enabling environment required for ISBs to flourish, including the economic context, the role of government, the private sector, and intermediary and support organizations.

The journey towards an inclusive and sustainable economic paradigm in Sri Lanka is multifaceted and requires collaboration, innovation and strategic interventions across a variety of sectors. The aim of the Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka is to chart a comprehensive path towards realizing these goals, leverage private sector dynamism and align with global development sustainability aspirations.

2 | UNDERSTANDING INCLUSIVE AND SUSTAINABLE BUSINESS MODELS

IMPACT	
Mission driven positive or significant change; Deliberate, purposeful and intentional; Not superficial or trivial	
INCLUSIVE	SUSTAINABLE
<p>Inclusive business models providing goods, services and livelihoods on a commercially viable basis to people living at the base of the economic pyramid, making them a core part of the value chain as suppliers, distributors, retailers or customers.</p> <p>Social enterprises addressing social needs of marginalized groups.</p> <p>Women-focused and women-led enterprises.</p> <p>Businesses that provide decent employment to vulnerable groups (e.g. women, young people and persons with disabilities).</p>	<p>Businesses that deliver positive social and/or environmental impact using market-based approaches.</p>

Inclusive and sustainable businesses (ISBs) are purpose-driven enterprises that seek positive change in communities and the environment through a deliberate, purposeful and intentional approach. ISBs use market-based approaches to achieve positive social and environmental impacts, ensuring their own sustainability while benefiting society and the planet. ISBs include green businesses that operate in an environmentally sustainable manner; inclusive business models that provides goods, services, and livelihoods on a commercially viable basis to people living at the base of the economic pyramid; social enterprises; women-focused and women-led enterprises; and businesses providing decent employment to vulnerable groups (such as women, young people and persons with disabilities).



ISBs in Sri Lanka can play a crucial role to achieve national social development and environmental sustainability goals. The role of ISBs is particularly critical in the current context of fiscal limits on public spending.

Several ISBs in Sri Lanka have generated positive environmental and social impacts, and these examples can be built upon, replicated and scaled-up. These ISBs include: (a) businesses supporting environmental sustainability, such as plastic recycling companies; (b) commercial businesses integrating and adding value to smallholder farmers in their supply chain; (c) cooperative agricultural networks providing smallholder farmers

with access to technical knowledge, market opportunities and internationally recognized certifications; (d) social enterprises that ensure fair and equitable employment opportunities for women, youth and disadvantaged communities; (e) social enterprises supporting environmentally friendly practices, such as carbon sequestration, reforestation and regenerative agriculture; and (f) incubators and platforms that nurture ISBs, offering curated support and guaranteed access to both local and international markets. To enhance the private sector's role in achieving the SDGs, it is imperative to integrate and promote these types of businesses into mainstream economic activities.



2.1 Conceptual framework: ISB contributions to sustainable and inclusive development

This section presents the role that ISBs play to support social development and environmental sustainability, and it outlines the strategic avenues for governments to support the emergence and growth of ISBs.

Areas of impact	Types of ISBs	Support required
Social impact		
Access to education	Educational institutions and programmes that offer affordable and accessible education, including online and vocational training, such as education-technology companies providing e-learning platforms and digital educational resources.	Strategic direction and road map: Providing a clear vision and guidance for the development of ISBs. Policy and regulations: Providing supportive policies and regulatory frameworks for ISBs. Legislation: Enacting relevant laws to facilitate the growth of ISBs and ensure their compliance with sustainability standards. Recognition: Acknowledging and promoting the efforts and achievements of ISBs. Accreditation: Offering formal accreditation processes to verify the sustainability and inclusivity of ISBs. Certifications: Providing certifications to validate ISBs' adherence to environmental and social standards.
Income generation	Social enterprises and businesses that promote entrepreneurship and self-employment opportunities, and microfinance institutions and job training programmes aimed at empowering individuals to generate income and find employment.	
Access to affordable health services and wellness	Health clinics, mobile health units and telemedicine platforms that offer accessible and affordable health-care services, such as pharmaceutical companies focusing on low-cost medications and medical supplies.	
Improved well-being and quality of life	Wellness centres, fitness programmes and mental health services that contribute to improved well-being, including organizations providing access to clean energy solutions and improved housing conditions.	
Women's economic empowerment	Women-focused business development programmes and microcredit organizations, including companies led by women that promote women's economic participation and leadership.	
Empowerment of marginalized groups	Social enterprises and businesses dedicated to the empowerment of marginalized communities, including indigenous populations and refugees, through inclusive hiring practices and diversity-focused businesses.	
Enhanced opportunities for persons with disability	Social enterprises and businesses that offer accessible products, services and employment opportunities for persons with disabilities, including those advocating for disability rights and accessibility standards.	
Community infrastructure development	Construction and infrastructure development companies focusing on building essential community facilities, such as schools, clinics and community centres including urban planning firms dedicated to creating sustainable and inclusive urban environments.	
Disaster relief and humanitarian aid	Organizations providing emergency assistance during crises and natural disasters, including social enterprises and businesses specializing in disaster response logistics and supplies.	

Areas of impact	Types of ISBs	Support required
Environmental impact		Incentives: Offering incentives and rewards to encourage ISBs to adopt sustainable practices.
Biodiversity conservation and regeneration	Organizations engaging in reforestation, habitat restoration and wildlife conservation efforts, including sustainable agriculture businesses that promote biodiversity-friendly farming practices.	Access to finance: Ensuring access to a variety of financial instruments and resources to support ISBs. Investments: Attracting investments, both public and private, to foster the growth of ISBs. Capacity-building: Providing training, education, and resources to enhance the capabilities of ISBs. Information: Furnishing access to relevant data, knowledge and resources necessary for the success of ISBs. Partnerships: Encouraging collaborations and partnerships among ISBs, government agencies, investors, and other stakeholders to promote sustainability and inclusivity.
Waste generation reduction and recycling	Businesses specializing in waste collection, recycling and upcycling to reduce the amount of waste sent to landfills; and businesses that innovate in recycling technologies, such as plastic recycling or e-waste recycling.	
Energy efficiency improvement	Companies that offer energy audits and solutions to improve the energy efficiency of homes, buildings and industrial processes, including smart technology providers for energy management systems.	
Sustainable supply chain management	Businesses that help other companies to establish sustainable and ethical supply chains, considering fair labour practices and environmentally responsible sourcing.	
Carbon offsetting and carbon neutrality	Carbon offset providers that invest in projects aimed at reducing or capturing greenhouse gas emissions to achieve carbon neutrality.	
Renewable energy adoption	Companies specializing in the installation of solar panels, wind turbines and other renewable energy systems, including renewable energy project developers focused on expanding clean energy capacity.	
Green building design	Companies that design and construct eco-friendly, energy-efficient buildings and infrastructure, including providers of sustainable building materials and technologies.	
Environmental education and awareness	Organizations that develop educational programmes, content and technologies to raise environmental awareness and promote sustainable living, including ecotourism businesses that provide educational and immersive experiences in natural environments.	
Water conservation and air quality	Companies specializing in water purification technologies, air quality monitoring systems, and pollution control solutions including businesses offering consulting services for sustainable water management.	
Water, sanitation and hygiene (WASH)	Organizations working to improve access to clean water, sanitation facilities, and hygiene education in underserved communities including manufacturers of innovative, eco-friendly sanitation products.	

3 | SOCIAL AND ENVIRONMENTAL PRIORITIES IN SRI LANKA

Ninety per cent of the countries included in the Human Development Index saw unprecedented reversals in indicators of human development in 2020 and 2021 due to COVID-19, geopolitical issues and environment disasters induced by climate change (UNDP, 2022). Sri Lanka was not immune to these events, and they brought new social and environmental challenges.

3.1 Social challenges and priorities

Poverty

The economy contracted sharply in the third and fourth quarters of 2022, and the national poverty level is projected to have increased beyond 25 per cent of the population and remain above such levels for the next several years (World Bank, 2023). The World Food Programme estimated that, by the end of 2022, 85 per cent of the population was relying on livelihood-based coping strategies, such as borrowing money, reducing spending on education and health, spending savings, or deferring due debt payments (Central Bank of Sri Lanka, 2023).

Gender

Overall performance of Sri Lanka on the Human Development Index remained the same between 2019 and 2021, and gender inequality decreased between 2019 and 2021 as measured by the Gender Inequality Index, from 0.383 in 2021 compared to 0.401 in 2019 (UNDP, 2022). However, female labour force participation dropped to 32.1 per cent in 2022, which is the second lowest annual rate in the past 12 years and below the highest level of participation of 36.6 per cent in 2017 (Central Bank of Sri Lanka, 2023).

Food and nutrition

Among children under 5 years of age, the prevalence of stunting and wasting rose to 9.2 per cent and 10.1 per cent respectively in 2022, highlighting a stark increase from 7.4 per cent

and 8.2 per cent reported in 2021 (Central Bank of Sri Lanka, 2023). At the end of 2022, a staggering 27 per cent of surveyed households reported adults sacrificing meals to feed their children (Central Bank of Sri Lanka, 2023). The Sustainable Development Report 2022 shows that Sri Lanka is lagging behind in progressing towards the zero-hunger target by 2030 (Sachs et al., 2022).

Access to health and education

Due to COVID-19 lockdown measures and lack of transport services and necessities because of the economic crisis, the education of 4.8 million children has been disrupted (Laryea, 2022) and 1.1 million children need education support (UNICEF, 2023).

The nation's health-care system is grappling with significant difficulties, including a scarcity of medications, postponed surgical procedures and a substantial departure of health-care experts (WHO, 2023). More than 1,000 medical specialists have reportedly left the country (Ceylon Today, 2023).



Photo: UNDP

3.2 Environmental challenges and priorities

Climate risk adaptation and mitigation

Sri Lanka ranked among the top 10 countries most vulnerable to climate risks, according to the Global Climate Risk Index 2020 (Eckstein et al., 2019). According to the same index, Sri Lanka recorded 36 climate disaster related fatalities in 2018 and 33 in 2019 (Eckstein et al., 2021). The World Bank (2018) estimates 90 per cent of the Sri Lankan population lives in climate disaster hotspots rated as moderate to severe.

If the 2015 Paris Agreement targets are not met, the country could witness temperature elevations of up to 2.0°C causing a \$50 billion decline in gross domestic product under the worst-case scenario for carbon emissions (World Bank, 2018). Climate change projections show Sri Lanka's wet zone becoming wetter and the dry zone becoming drier, therefore affecting the country's food production and disproportionately affecting smallholder farmers (World Bank and CIAT, 2015).

Energy dependency and renewable energy

Under its nationally determined contributions, Sri Lanka has committed to achieve 70 per cent renewable energy in electricity generation by 2030 (Ministry of Environment, 2021). In 2022, 52 per cent of electricity was generated from renewable sources. Hydropower accounted for 81 per cent of electricity generated from renewable sources while wind and solar contributed about 9 per cent each (Ceylon Electricity Board, n.d.).

Hydropower output in Sri Lanka is highly susceptible to weather patterns, and often the Government must resort to buying thermal energy when rainfall is less than anticipated. Therefore, diversifying renewable energy sources, including offshore sources, is vital for the country to achieve its renewable energy targets (Government of Sri Lanka, 2022).

Waste reduction and management

Sri Lanka produces 7,000 tons of solid waste daily, with the Western Province contributing nearly 60 per cent of this amount (EFL, 2017). According to the United Nations Food Waste Index, annually the average Sri Lankan produces 76 kg of food waste, and 1,617,738 tons are produced nationally (United Nations Environment Programme, 2021).

Sri Lanka produces 1.59 million tons of plastic waste a year. Microplastic pollution has been considered one of the key factors contributing to the decline of fish stocks along the Sri Lanka coastline from 300,000 tons in 1980 to a mere 53,000 tons in 2018 (Cole, 2020).

Deforestation and loss of biodiversity

Sri Lanka is one of the world's biodiversity hotspots with more than 9,400 species of fauna and flora. Key challenges to preserving biodiversity include deforestation, degradation of critical habitats, such as mangroves and wetlands, species extinction risks from overexploitation, the spread of invasive alien species and human-wildlife conflicts (Ministry of Environment, 2022).

The forest cover in Sri Lanka stood at about 29.7 per cent of the land area in 2015 (Ministry of Environment, 2022), but by 2020 it had reduced to an estimated 28.4 per cent of the land area, according to the Food and Agriculture Organization of the United Nations (FAO) (Samaraweera, 2021).

Water resources

The country's reliance on rainfall for water supply, coupled with uneven spatial distribution and high inter-annual variation, leads to recurring issues of water scarcity. Climate change has disrupted rainfall patterns, exacerbating the problem. The wet zone, where more than 55 per cent of the population resides, receives consistent year-round rainfall, but land scarcity poses a significant constraint. In contrast, the dry zone, home to most of the arable land, grapples with water scarcity due to uneven rainfall distribution and high evaporation rates, particularly during a five-month period (Ministry of Environment, 2022).

Coastal and marine resources

The coastal zones of Sri Lanka are densely populated, with approximately 40 per cent of the population residing in coastal townships that are highly vulnerable to climate change impacts. Coastal erosion, driven by both natural and human factors, is a critical challenge, leading to shoreline retreat and saltwater intrusion into freshwater sources. Furthermore, the destruction of coastal habitats, particularly mangroves, exacerbates the vulnerability of coastal communities (Ministry of Environment, 2022).

4 | MARKET OPPORTUNITIES FOR ISBs IN SRI LANKA

There are multiple opportunities for businesses in Sri Lanka to develop inclusive business models that will lead to sustainable and inclusive outcomes. Key impact areas where businesses can make a difference include:

- Female labour force participation
- Renewable energy
- Agriculture
- Ecotourism and sustainable tourism
- Circular economy
- Sustainable apparel
- Digital innovation
- Green financing

In fact, in Sri Lanka there are already examples of ISBs within key impact area.



Photo: UNDP

4.1 Increasing female labour force participation

Low female labour force participation in Sri Lanka presents a significant challenge to economic development and social progress.

While the female population is greater than the male population and state universities produce more female graduates than male graduates (Mendis, 2013), female labour force participation accounts for less than half of the male labour force participation. Supply-side analyses have identified unpaid care and household work, skills deficits and gender discrimination as underlying supply-side factors (Gunatilaka and Chandrasiri, 2022). In addition, women have not been able to progress in their careers as men do. Women account only for 9 per cent of directors in company boards, 16 per cent in [senior] corporate management and 13 per cent in the management team (Gunawardana, 2017). Women remain a huge, yet untapped economic resource. Bringing more women into the economy would expand the gross domestic product. Increasing female workforce participation will cultivate a more diverse talent pool and foster creativity, innovation and different perspectives that can drive business growth and competitiveness. Companies that embrace diversity often outperform their peers in terms of financial performance and overall success (Lorenzo et al., 2018).

Exploring ways in which businesses can facilitate childcare, adapt flexible working models and provide additional benefits or access to services, such as health, financial management and leadership skills (see case example of Selyn and English Tea Company), can help to increase women's labour force participation.

Selyn Handlooms

Selyn, a women-led business founded more than 30 years ago, is a key player in the Sri Lankan handloom and craft industry. It is the sole fair trade and vegan-approved handloom company in Sri Lanka, offering flexible employment and livelihood opportunities to approximately 1,000 women artisans and persons from marginalized groups in rural Sri Lanka. Their focus is on women in the informal economy who are vulnerable to labour migration, and they provide flexible working options, childcare,^a leadership training and entrepreneurship support. Additional services, such as financial management, health checks and personal development programmes, equip communities with essential skills for decision-making and growth.^b Selyn has made high-value craft products accessible in global markets and pioneered blockchain integration for supply chain transparency.^c Further, Selyn's #BleedGood initiative provides a sustainable model by which rural communities are provided with access to reusable sanitary pads, awareness on menstrual hygiene and reproductive health checks.^d

Motivation

Providing women excluded from the mainstream job market with flexible working opportunities and essential services and skills to foster their development and empowerment

Innovation

Transforming traditional fair trade business models through innovative products and technology

Impact

Ensuring consistent work and dignified livelihoods to 1,000+ women artisans in Sri Lanka

Notes:

^a Ada Derana (2019). Selyn as Best Practice for Employer Supported Child Care. 22 January. Available at <http://bizenglish.adaderana.lk/selyn-as-best-practice-for-employer-supported-child-care/>.

^b United Nations Development Programme, Sri Lanka (2021). A test of Resilience by UNDP Sri Lanka - Exposure. Available at <https://undpsrilanka.exposure.co/a-test-of-resiliencenbsp?locale=en%2Ffor-sports%2Fyear+in+review%2Ficeland%2Fyear+in+review%2Fjapan%3Fmore%3Dtrue>.

^c Daily FT (2023). Handloom fame Selyn pioneers blockchain technology with The London College of Fashion. Available at www.ft.lk/front-page/Handloom-fame-Selyn-pioneers-blockchain-technology-with-The-London-College-of-Fashion/44-746789.

^d See www.dailymirror.lk/news-features/BLEEDGOOD-WITH-SELYN-THIS-WOMENS-DAY/131-207315.



Selyn Handlooms, a women-led business, makes high-value craft products accessible in global markets

Photo: Sustainable Development Council of Sri Lanka

English Tea Shop Organic (ETS)

ETS, the leading organic tea brand in Sri Lanka, sources its tea and botanicals from small-scale organic farmers in Sri Lanka. Recognized by the Great Game of Business All Star Award 2020, the company's remarkable resilience and profitability during the pandemic underscore its sustainable business model. By directly sourcing tea from growers, the company fosters agricultural sustainability, nurturing growth for its team, farmers and shareholders.^a A staunch advocate of responsible practices, ETS not only imparts education and training to advance sustainable approaches within farming communities but also leads the Child Benefit Allowance Initiative. This collaboration with the Centre for Child Rights and Business and Save the Children extends monthly social assistance to employees, empowering them to invest in the well-being of their children. This pioneering initiative caters to all employees with children under 16, exemplifying the company's commitment to holistic growth.^b Other ETS initiatives include exploring supply chain models for promoting shared ownership of the brand, thereby helping marginalized communities in the tea sector to benefit from the economic gains of the brand.

Motivation

Providing holistic solutions for the empowerment of their network prioritizing purpose and well-being

Innovation

Pioneering child-care related social assistance for their employees and other initiatives such as company-sponsored medical and life insurance, a comprehensive quarterly profit-sharing programme and salaries pegged to the United States dollar for all employees

Impact

Gaining B Corp certification and working to uplift the lives of more than 3,000 small organic tea farmers and ETS's own 300+ permanent employees^c

Notes:

^a Save the Children (2022). A first in Sri Lanka: English Tea Shop Organic invests in its employees and pilots the Child Benefit Allowance Initiative. Available at <https://srilanka.savethechildren.net/news/press-release-first-sri-lanka-english-tea-shop-organic-invests-its-employees-and-pilots-child>.

^b Centre for Child Rights and Business (2022). The Centre, Save the Children and English Tea Shop Launches First Ever Company-Invested Child Benefit Allowance Initiative in Sri Lanka. Available at www.childrights-business.org/impact/the-centre-save-the-children-and-english-tea-shop-launches-first-ever-company-invested-child-benefit-allowance-initiative-in-sri-lanka.html.

^c See www.bcorporation.net/en-us/find-a-b-corp/company/english-tea-shop-group/.

Women remain a huge, yet untapped economic resource. Bringing more women into the economy would expand the gross domestic product.

Increasing female workforce participation will cultivate a more diverse talent pool and foster creativity, innovation and different perspectives that can drive business growth and competitiveness.



Photo: Sustainable Development Council of Sri Lanka

4.2 Renewable energy solutions

Sri Lanka's commitment to renewable energy transition opens doors for businesses specializing in solar, wind, hydro and bioenergy solutions. Private enterprises can play a pivotal role in contributing to clean energy generation and reducing carbon emissions. Currently, approximately 52 per cent of the country's electricity is generated from renewable sources, and Sri Lanka aims to generate 70 per cent of electricity from renewable sources by 2030.

Sri Lanka will need to invest close to \$11 billion from 2023 to 2030 to reach the target of generating 70 per cent of electricity from renewable sources

(economynext, 2023).

As the global demand for electricity from renewable sources increases, the Sri Lanka Climate Prosperity Plan envisions Sri Lanka as a net exporter of electricity generated from renewable sources with the power grid connection to India. This opens up opportunities for the private sector to realize long-term profits by investing in renewable electricity generation.



Photo: Hayleys Solar

WindForce

WindForce is the largest renewable energy developer in Sri Lanka. It owns, develops and operates renewable energy power plants that are fully equipped to meet the growing demand for green energy to provide clean energy access to businesses, communities and industries.

WindForce allocates a portion of the profits into community development projects to support the welfare of local communities including livelihood support, education and childhood development, environmental conservation and health care.

Motivation

Aiming to be the largest producer of renewable energy in Sri Lanka by investing in viable, eco-friendly and state-of-the-art renewable energy power plants

Innovation

Investing and implementing in Sri Lanka globally available innovative solutions for generation of renewable energy, while adding homegrown innovations to adapt such technologies for Sri Lanka's requirements

Impact

Generating 245.1 MW capacity with 30 projects completed

Source: See https://windforce.lk/wp-content/uploads/2023/06/Annual-Report-22_23.pdf.

4.3 Sustainable agriculture and agribusiness

Climate change driven impacts, including droughts and ill-timed heavy rains, flooding and land degradation, are key environmental risks for the agriculture sector. Labour shortages are a major risk for the continued productivity of the sector (PEC, 2019).

The country requires a further 223,000 ha of land for cultivation to meet food demand by 2030 (PEC, 2019). However, access to arable land and the risk of deforestation remain major concerns. Smallholder farmers dominate Sri Lanka's food production and engage in the sector on an informal level – approximately 1.65 million smallholder farmers operate on average less than 2 ha each and contribute 80 per cent of the total annual food production (Ministry of Agriculture, n.d.). An increase in the labour force engaged in agriculture of 27 per cent will be required to meet production demands by 2030, assuming the current mix of technology in the agriculture sector remains the same. Globally, large-scale monoculture farming is increasingly linked to soil degradation and the loss of biodiversity, compared to crop rotation and biodiverse multicrop farming (Balogh, 2021).

The agricultural sector employs approximately to 2.2 million people.

Out of this, approximately 1.65 million smallholder farmers contribute 80 per cent of the total annual food production

Overall, the Sri Lankan agricultural sector employs approximately to 2.2 million people or 26 per cent of the total workforce. At the same time, small-scale farmers account for half of Sri Lankans living below the poverty line (Gunawardana, 2018) and 40 per cent of the total agricultural workforce are women who earn less than their male counterparts (SLYCAN Trust, n.d.). Concerns remain about the continued increase of poverty in the sector (World Bank, 2021).

Small Organic Farmers Association

The Small Organic Farmers Association (SOFA) produces and exports organic food while creating a sustainable and equitable environment for smallholder farmers. It facilitates fair trade certification for smallholders, simplifying processes and reducing costs to provide them with access to broader markets and increased economic opportunities. SOFA reinvests fair trade premiums into communities, improving the living standards of small farmers and vulnerable populations and focuses on capacity-development and agricultural enhancements to empower small-scale farmers. With more than 3,600 organic farmers linked to export markets, SOFA connects local expertise to international markets thus serving as a vital bridge between local communities and global trade, and promoting sustainable agriculture and equitable growth.

Motivation

Integrating micro and small-scale farmers into global supply chain and markets

Innovation

Leveraging the structural benefits of cooperative model for inclusive growth

Impact

Connecting more than 3,600 organic farmers island-wide to export markets

Source: Fairtrade Network of Asia and Pacific Producers (2020). *Fairtrade Premium COVID-19 Relief Programs of Small Organic Farmers' Association FLO ID 558* by Bernard Ranaweera, President (SOFA).

Good Market PGS

The Good Market Organic Participatory Guarantee System (PGS) has been established to make recognized organic certification accessible to SMEs, leveraging community engagement and collective responsibility. Good Market PGS has 408 registered individuals and enterprises and 224 hectares of land and has been recognized since 2016 by the International Federation of Organic Agriculture Movements.

Motivation

Making recognized organic certification accessible to SMEs

Innovation

Leveraging community engagement and collective responsibility

Impact

Registering 408 individuals and enterprises and 224 hectares of land

Source: See https://pgs.ifoam.bio/pgs_groups/109.

To address agriculture-related risks, improve livelihoods, reduce poverty and enhance sustainability, investing in climate adaptation, new technologies and organic products is crucial. Sustainable agribusinesses can improve ecosystems, cater to conscious consumers and optimize supply chains. The empowerment of smallholders, biodiversity-friendly practices, climate-smart techniques and modern technology integration bolster sector impact. Exploring new business and supply chain models, including

organizing smallholder farmers into producer groups and value addition cooperatives (see case examples of the Small Organic Farmers Association and Good Market PGS), out-grower programmes (see case example of Hayleys), tech-enabled supply chain transparency and traceability solutions (see case example of Tracified), and introducing risk-mitigation financial instruments such as crop insurance can help to reduce the growing levels of poverty in the sector.

Hayleys rural out-grower programme

This programme is a catalyst for raising income levels among farmers. Farmers linked to this out-grower system receive training and extension services; inputs such as seeds, fertilisers and agrochemicals on credit; and buy back guarantees on a predetermined price and stipulated quality standard.

Motivation

Supporting entrepreneurial development and “growing with each other for each other”

Innovation

Providing rural farmers linked to the out-grower system with essential farming inputs (e.g. seeds, agrochemicals, fertilizers) on credit and buyback guarantees at a predetermined price

Impact

Providing indirect employment through the export agriculture sector to approximately 8,250 farmers

Source: See www.hayleys.com/out-grower/.

4.4 Ecotourism and sustainable tourism

The picturesque landscapes and cultural heritage of Sri Lanka, coupled with increasing demand for eco- and sustainable tourism, offers businesses the opportunity to combine economic growth with environmental stewardship and community well-being. Businesses can provide eco-friendly accommodations, collaborate with local communities, promote wildlife and nature

tourism, offer outdoor activities, introduce sustainable transport and combat plastic pollution, showcasing their commitment to responsible tourism. With the strong government focus towards sustainable tourism and support from development partners, there are a variety of opportunities for capacity development and financial support.

The global eco and sustainable tourism market, valued at \$3.3 trillion in 2022, is expected to grow 14 per cent annually reaching \$11.4 trillion in 2032

(Ashutosh and Roshan, 2023).

Half of the foreign tourists visiting Sri Lanka in 2018 were attracted by its ecotourism destinations

(De Zoysa, 2022).



Photo: UNDP

Saraii Village

Sarrai Village is an eco-friendly hotel in Yala promoting sustainability while encouraging guests to become one with nature, enjoy the simple luxuries of life and experience authentic Sri Lanka. Built on the philosophy of eco-compatibility, Sarrai Village serves wholesome and organic meals made by members of the local community employed by the organization.

Motivation

Supporting rural farming communities, enabling them to have dignity in their vocation and improve their economic status

Innovation

Returning to basics with healthy food to sustain a lifestyle that retains a message of giving back to the community and the planet

Impact

Engaging directly or indirectly the services of 60 households in the hotel area, with 65 per cent of income from community excursions paid back to service providers resulting in an increase of fivefold to eightfold in household income

Source: See www.sundaytimes.lk/180311/magazine/saraii-village-the-essence-of-lanka-284982.html and www.srilanka.travel/eco-tourism.

Jetwing Vil Uyana

Jetwing Vil Uyana, a luxury hotel in the North Central Province, is deeply committed to environmental conservation and community well-being. Its ethos and operations seek to preserve and promote the local environment and habitat, protect indigenous plant and animal species, using responsible architecture and offering employment opportunities that enhances economic growth in the region.

- The open design structures at Vil Uyana were built using traditional thatch and clay, require less artificial illumination and ventilation.
- Food waste is processed onsite in biogas digesters and the resultant gas is used to fuel kitchen stoves. An organic garden supplies fresh produce.
- All the wastewater is treated and used in gardens, and all dry leaves and garden waste is composted at the property.
- Human-made lakes filled with rainwater provide all the water for the property.
- Many children in the farming communities nearby leave school mid-way. To help them acquire new skills, the Jetwing Youth Development Programme offers free six-month training sessions to learn about hotel operations and to gain a working knowledge of English. Graduates are often offered job options at Vil Uyana.

Motivation

Preserving and promoting the local environment and habitat

Innovation

Establishing a human-made nature reserve; restoring abandoned agricultural land to a wetland, with part of the area reforested and another section used for paddy cultivation with traditional means

Impact

Following the wetland and forest restoration, numerous birds and animals returned, increasing the counts of mammal species (from 12 to 25), birds (from 29 to 138), butterflies (from 24 to 43), and amphibians and reptiles (from 3 to 39).

Source: See www.jetwinghotels.com/jetwingviluyana/wp-content/uploads/sites/2/2022/05/Jetwing-Vil-Uyana-SPR-2021.pdf and www.responsibletourismindia.com/inspire-me/case-study-jetwing-vil-uyana-sri-lanka/429.

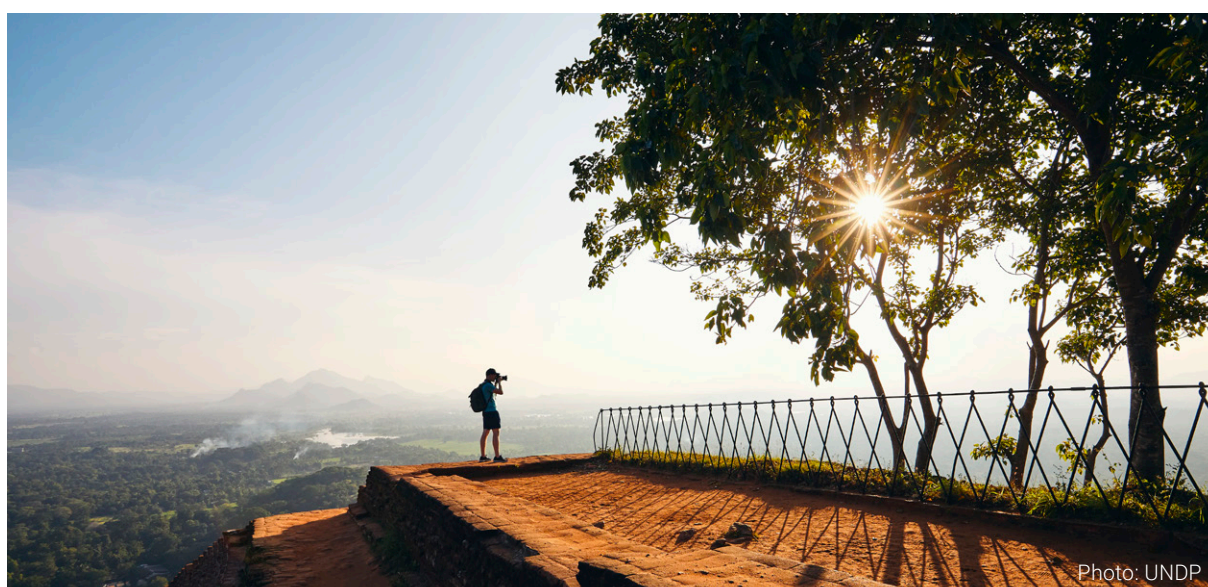


Photo: UNDP

4.5 Circular economy initiatives

Businesses can drive circular economy principles by offering products and services that minimize waste, promote recycling and maximize resource efficiency. Opportunities include upcycling, remanufacturing and waste management solutions.

Circular economy practices offer businesses the chance to optimize resource usage, reduce waste and minimize environmental impact while reducing operational costs. It enhances a company's reputation, fosters supply chain resilience and positions the company or supply chain as an environmental steward with the

potential to charge premiums for the higher quality of the product. This approach generates new revenue streams through value-added products and services, promoting innovation in product design and appealing to eco-conscious consumers (see case example of Eco Spindles). For instance, initiatives to reduce post-harvest losses through secure and sustainable packaging open new revenue streams, increase existing revenue from the same harvest, and help increase food security. Resource recovery measures open new opportunities to use waste in new economic activities, such as the use of food waste to produce biofuels and organic fertilizers.

Eco Spindles

Eco Spindles is a leading polyester yarn and filaments manufacturer in Sri Lanka, with one of only two plants in the world capable of creating polyester yarn directly from recycled PET plastic flakes. It is also the largest plastics recycler in Sri Lanka. Notably, the company has pioneered a robust recycling ecosystem, fostering the growth of sustainable practices in Sri Lanka. With a vast network of over 500 registered collectors, Eco Spindle sources used PET bottles through collaborations with corporations, collectors, the Waste 2 Value mobile app and the wider community, which actively contributes to the collection of PET plastics. Adding to its impact, the Pilgrim Waste Management Initiative hosted by the company endeavours to preserve sacred sites by installing and maintaining collection bins for discarded plastic bottles, showcasing the company's commitment to both environmental stewardship and cultural conservation.

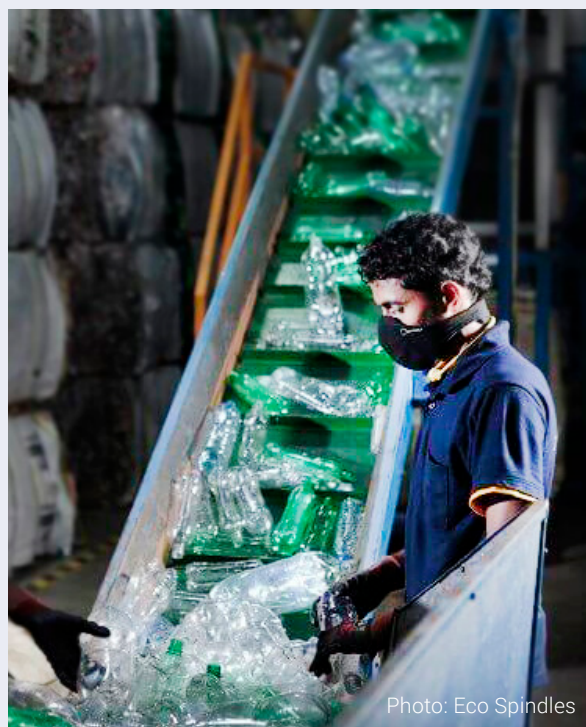


Photo: Eco Spindles

Motivation

Reducing the carbon footprint made on the world

Innovation

Using plastic waste to create high-grade yarn and filaments

Impact

Recycling more than 90 million PET bottles, 20,000 tons annually

Source: See www.ecospindles.com/pilgrimage-waste-management/.

4.6 Sustainable apparel and textiles

The fashion industry is one of the largest polluters and has come under increasing scrutiny (Samuel and Danise, 2023). Sri Lanka holds a key position in the global fashion industry supply chain as an ethical sourcing destination for apparel and fashion. However, the goal posts continue to move as demands rise for stricter policies and practises to safeguard the environment and communities. The sector in Sri Lanka employs approximately 350,000 persons and has often come under pressure for what external observers of the industry regard as low wages (EDB, 2022a) (OHCHR, 2021). To continue to retain its prominent and respected position in the global apparel supply chain, Sri Lanka will need to adopt new initiatives that improve productivity, reduce environmental impact and push into new markets which are demanding and ready to pay a premium for ethically and sustainably manufactured apparel products.

There is also a growing demand for sustainable and biodegradable fabrics and materials. Estimates indicate 25 per cent of all freshwater pollution comes from processes on textile treatment and dyeing (Samuel and Danise, 2023). The global market for sustainable textiles is expected to grow at a compound annual growth rate of 12.5 per cent between 2022 and 2030, reaching nearly \$69.5 billion in 2030 (Market Research Future, 2023).

Sustainable fashion creates business opportunities in ethical sourcing, circular design, innovative materials, education, technology integration and compliance. Green marketing, eco-friendly production and global market access enhance brand loyalty and international reach.

Kantala

Kantala is a social enterprise that draws inspiration from traditional crafts in Sri Lanka to provide regenerative solutions to the fashion and lifestyle sector while creating equitable and democratized supply chains. Centred on its core raw material source, the regenerative and highly sustainable hana plant (*Agave cantala*), Kantala engages farming communities and artisans to grow and process the hana plant into regenerative vegan leathers and ladies fashion accessories which are carbon negative, thanks to the carbon sequestration capacity of the plant. Today, Kantala has set up an artisan association for the 23 artisans of the Dumbara hana weaving craft and is in the process of setting up producer groups for the 35 farmers engaged in its supply chain.

Motivation

Delivering impact through carbon negative regenerative vegan solutions for the fashion and lifestyle sector

Innovation

Preserving and promoting indigenous intellectual property and traditional crafts through high value contemporary products; developing regenerative vegan leather materials; using blockchain enabled supply chain traceability tools to collect and report impact data for certification audits and impact investment; and capturing carbon sequestration data for greenhouse gas verification

Impact

Increasing artisans in the craft from 8 to 23 and reducing the average age from 60 to 48 years; increasing economic value of hana plants through material innovation and carbon verification creating secondary income for 35 farmers; providing biodegradable carbon negative, cruelty free products and materials for consumers and industries

Source: See www.kantalabrands.com/pages/trading-fairly.

4.7 Digital innovation for social impact

Digital technologies are a pivotal driver of economic growth and social change. Businesses in Sri Lanka can harness digital innovation to revolutionize a variety of sectors and foster sustainable and inclusive outcomes. Businesses can use digital technologies to improve their operations and to extend critical services (e.g. health care, education and finance) to remote communities. For example, telemedicine applications such as ODoc can offer virtual doctor consultations, providing low-cost access to remote areas. Digital education platforms and content providers (such as Tilli) can enhance access to quality education, and online libraries offer greater access to knowledge, bridging the knowledge gap between urban and rural areas.

Digital financial solutions and technologies, such as digital wallets, microinsurance and blockchain, allow secure and convenient digital transactions, even for those without traditional bank accounts, and these technologies make financial products accessible for smallholder farmers and other low-income groups.

Digital solutions can revolutionize agriculture and aid smallholders to optimize resource allocation, crop selection, crop yields and climate adaptation through low-cost access to information.

Online platforms are enabling trade networks, providing recognition and access to markets, and supporting micro, small and medium-sized enterprises (MSMEs) (see the example of the Good Market).

Digital solutions can provide early warning solutions critical for Sri Lanka, where 87 per cent of the population resides in disaster-prone areas, and help to minimize loss of life and economic damage.

Digital financial solutions
and technologies make
financial products accessible
even for those without
traditional bank accounts
such as smallholder farmers
and other low-income groups

ODoc

Sri Lanka's leading telemedicine provider is an application that links users with health-care professionals through video, audio and text consultations using mobile devices. It provides access to a network of more than 1,000 practitioners, including registered general practitioners and specialists recognized by the Sri Lanka Medical Council.

Motivation

Making high-quality health care accessible, affordable and personal to all

Innovation

Creating a digital platform linking users with health-care professionals; enabling video, audio and text consultations via mobile devices with public access to a wide network of more than 1,000 practitioners

Impact

Enabling more than 40,000 successful consultations, addressing a wide spectrum of medical conditions ranging from common colds to providing palliative care

Source: Echelon Magazine (2021). *oDoc: better healthcare for all is now a reality*. Available at www.echelon.lk/odoc-better-healthcare-for-all-is-now-a-reality/.

Tilli

Tilli, a social-emotional learning tool powered by artificial intelligence, focuses on fostering empathy, critical thinking, and metacognition in children age 5 to 10 years. Through inclusive design and co-creation, Tilli aims to reduce inequalities in education and nurture socially aware individuals prepared for an interconnected world.

Motivation

Aiming to ensure that by Tilli's tenth birthday, every child has the skills, coping strategies and mindsets they need to thrive in life

Innovation

Using artificial intelligence to create a social-emotional learning tool for early learners that combines playful learning, behavioural sciences, and data to drive lifelong, behavioural changes in kids and their caregivers

Impact

Testing of Tilli with 100+ learners age 5 to 10 years from North America, Europe and South Asia along with 58 facilitators, including parents and teachers, showed high level child engagement among 73 per cent; going through Tilli helped 93 per cent of children to avoid an unsafe situation and helped 97 per cent to have an honest and meaningful conversation

Source: See www.tillikids.com/research and www.unicefventurefund.org/portfolio/tilli-gamified-social-emotional-learning-child-online-safety.

Good Market platform

Good Market is a curated community of social enterprises, cooperatives, responsible businesses, civic organizations, networks and changemakers. With its local and global reach, it offers a stage for more than 1,500 producers, artisans and small-scale entrepreneurs to present and sell their wares in Sri Lanka. As an enabling ecosystem, Good Market drives commerce as well as socioeconomic progress, generating vital income and livelihoods for local communities. The platform supports social entrepreneurs blending business objectives with social causes, amplifying their reach and magnifying their potential for transformative change.



Motivation

Creating a twenty-first century economy that is good for people and for the planet

Innovation

Using digital tools to connect communities transparently

Impact

Connecting more than 1,500 producers, artisans and small-scale entrepreneurs on the platform; providing direct market access to more than 400 organic producers through farmers markets and Good Market retail shops

Source: Good Market Sri Lanka (2022). *Good Market community in Sri Lanka celebrates 10 years!* Available at www.goodmarket.global/info/good-market-community-in-sri-lanka-celebrates-10-years/.

Tracified Technologies: Blockchain enabled traceability solution

Tracified Technologies is a blockchain-based traceability solution that connects the entire supply chain. The solution can be applied to assure the integrity of the supply chain. Whether agriculture, craft or fashion, Tracified can identify and record movement, personnel, materials, location and impact using a multitude of tracking methods enabled by blockchain technology.

Projects:

- Initiated a blockchain based traceability solution targeting 10,000 farmers in Sri Lanka who export to the European Union
- Promoted Sri Lankan handicrafts in socially responsible ventures industries, engaged with Kantala

Motivation

Improving Sri Lankan industries and uplifting the standards of farmers and artisans at the grassroots level

Innovation

Providing a suite of products:

- Web portal: Streamlining administration
- Insights portal: Providing valuable business insights
- Field officer app: Ensuring efficient supply chain tracking
- Mobile app and e-commerce widget: offering a user-friendly interface for consumers

Impact

Providing traceability data from seed level to final consumer product that creates transparency throughout supply chains for more than 10,000 farmers in agriculture and 100 artisans in the craft sector, enabling consumers to make informed choices and enabling enterprises to view their supply chain and calculate impact

Source: Daily FT (2021). *Tracified enables 10,000 Sri Lankan farmers to move up the value chain*. Available at www.ft.lk/Agriculture/Tracified-enables-10-000-Sri-Lankan-farmers-to-move-up-the-value-chain/31-727271.

4.8 Green finance and impact investment

The global impact investment market was more than \$1.1 trillion in 2022 (Hand et al., 2022). The International Finance Corporation (n.d.) estimates that \$2.3 trillion is invested with the mandate of achieving positive impact.

The impact investment market in Sri Lanka is relatively small. A study by the Global Impact Investing Network (GIIN) covering the period from 2004 to 2014 estimated that Sri Lanka had approximately \$500 million in assets under management conforming to impact investment or environmental, social and corporate governance standards. The small overall market size and gaps in enterprise capacities to report on impact generated have been cited as the main reasons for

the low level of impact investment in the country (GIIN and Dalberg, 2015). An illiquid secondary market which limits exit opportunities for early investors and restrictions to transfer funds back out of Sri Lanka are factors limiting investments in ISBs (as reported by industry stakeholders during consultations).

Globally, the rise of green bonds has spurred the creation of a variety of impact and sustainable fixed-income tools, such as blue, transition, sustainable and social bonds, although their adoption has been more gradual. Worldwide, sustainability-focused bond issuance surpassed \$1 trillion in 2021, a significant amount in absolute terms, but accounting for only about 4 per cent of

the total global bond issuance during that time (Hand et al., 2022). Recognizing the untapped potential of green, impact and sustainable financing, the Government, the Central Bank and the Colombo Stock Exchange are putting in place frameworks, policies and mechanisms for the issuance and trading of green bonds.

Intermediary actors will play an important role to help to overcome challenges in the Sri Lankan investment landscape for ISBs, impact investors and green/sustainable financiers. Intermediaries can raise awareness among ISBs and develop their technical capacities to understand impact investment, green bonds and sustainable finance instruments while connecting ISBs with funding/financing opportunities. Intermediaries can help to source investment opportunities for impact investors and green financiers. Furthermore,

intermediaries can actively engage in creating a liquid secondary market by sourcing buyers so early impact investors can exit investments and for bond holders to trade, making investment opportunities in Sri Lankan ISBs more attractive to investors.

To address the mismatch between the investment ticket size offered by large regional impact funds and development finance funds, there are opportunities to disaggregate large funds into smaller investment ticket sizes which match the requirements of smaller ISBs.

Services to assist ISBs with developing theory of change models, measuring and evaluation frameworks, and impact reporting which meets impact investment and green/social financing reporting requirements are additional areas of opportunity.

Lanka Impact Investment Network

Lanka Impact Investment Network (LIIN) is a pioneer impact investment firm that focuses on directing private capital towards resolving critical social and environmental challenges. It invests in social enterprises and provides business development support to social entrepreneurs throughout Sri Lanka. LIIN is in the process of raising two impact investment funds: the Social Enterprise Fund with \$5 million and Social Impact Capital with \$20 million.

Motivation

Providing knowledge and financial capital to small and medium-sized social enterprises from across Sri Lanka that directly address pressing social and environmental issues

Innovation

Lowering barriers to impact investing through knowledge dissemination and focussed products to match different levels of social enterprises and MSMEs

Impact

Providing more than 22.5 million Sri Lankan rupees in impact investment across 17 social enterprises in 10 districts through the Ath Pavura investment platform; launching or scaling 577 social enterprises; engaging more than 330 female entrepreneurs in capacity-development workshops

Intermediary actors will play an important role to help to overcome challenges in the Sri Lankan investment landscape for ISBs, impact investors and green/sustainable financiers

Source: See www.liin.lk/about and www.liin.lk/projects.

5 | THE ENABLING ENVIRONMENT

To thrive, businesses require an enabling environment: a favourable socioeconomic context, supportive policies, access to finance as well as capable intermediary organizations that can provide access to relevant resources, know-how and markets. This section examines the environment in which ISBs operate in Sri Lanka.

5.1 Overall economic context

5.1.1 Recovery from economic crisis

Following the economic crisis which gripped the country throughout 2022, the Government engaged the International Monetary Fund (IMF) and secured an extended fund facility of special drawing rights of 2.286 billion (about \$3 billion) in March 2023 (Central Bank of Sri Lanka, 2023). In line with the IMF agreement requirements, the Government has adjusted energy prices and enacted tax reforms to increase government tax revenue. Cabinet approval has been provided to reform state-owned enterprises (SOEs), including their divestiture. Legislation has been proposed and presented to parliament to ensure the independence of the Central Bank. Further legislation has been proposed for strengthening anti-corruption laws.

Increases in direct taxes and increases in monetary policy rates have helped to slow down year-on-year national inflation to single digits in July 2023. The fiscal and monetary tightening and increase in energy prices together with the import bans on non-essential consumer goods saw Sri Lanka gradually build its foreign reserves reaching \$3.7 billion in June 2023.

While macroeconomic indicators are starting to stabilize, business sentiment remains weak. The economy is expected to contract by 3 per cent in 2023 and return to a modest growth of 1.3 per cent in 2024 (ADB, 2023).

5.1.2 Key economic sectors and labour force challenges

Saddled with a high level of income tax and a general discontent with the socioeconomic outlook, the country is witnessing high levels of migration. Out of the 22 million population of Sri Lanka, approximately 300,000 people, most of them low- and semi-skilled workers, migrated abroad for jobs in 2022. From January to March 2023, another 73,000 left, including a growing number of middle-class professionals (Economist, 2023).



60% of the labour force were employed in the **informal sector** in 2021.



26% of the workforce is employed in the **agriculture, forestry and fisheries** sector.



16.8% of the workforce is employed in **manufacturing**.



In 2019, the **information technology and business process management** sector in the country employed approximately 113,000 persons of which **37%** were women.

In 2021, nearly 60 per cent of the labour force were employed in the informal sector (Department of Census and Statistics, 2022). This raises concerns of the number of workers who are without formal safeguards that protect their rights.

The agriculture, forestry and fisheries sector accounts for 26 per cent of the workforce. Smallholder farmers are among the poorest, accounting for more than half of those living below the poverty line while women account for 40 per cent of the labour force in the agriculture sector.

Tea is the largest agricultural export in Sri Lanka, and tea accounts for direct or indirect employment of approximately 1 million people (EDB, 2022b). Close to half a million smallholder growers account for 70 per cent of tea production (ILO, 2018). The sector often faces concerns regarding human rights, low wages, impoverished living conditions and limited access to basic services (OHCHR, 2021).

Manufacturing is the second largest economic sector by employment, accounting for 16.8 per cent of total employed (Department of Census and Statistics, 2022). The apparel industry accounts for the employment of approximately 300,000 persons, making it the largest manufacturing subsector, and women make up approximately 78 per cent of its workforce (IPS, 2019). Employment in this industry is an area of concern due to wages, intense working conditions and strict policies which limit civic spaces (OHCHR, 2021).

Tourism, the largest services sector foreign exchange earner in Sri Lanka, directly employed 190,521 persons in 2022, and a further 195,715 were employed indirectly by the sector (Central Bank of Sri Lanka, 2023). According to the International Labour Organization (ILO), employment in the sector is expected to grow to more than 1 million, making it one of the largest employment sectors in the country (Aneja et al., 2020).

In 2019, the information technology and business process management sector in the country employed approximately 113,000 persons of which 37 per cent were women (PwC, 2023). The

sector has struggled with recruitment, with only 71,000 personnel engaged in the sector as of 2022 (Central Bank of Sri Lanka, 2023) whereas the sector requires 175,000 personnel in 2023 (Aneez, 2023). By 2025, the sector will require 300,000 personnel to remain on track to achieve the sector's 2030 target to contribute \$15 billion to the economy.

The country is heavily reliant on foreign remittances made by migrant workers, which totalled \$3.8 billion in 2022, making it the second highest source of foreign income (Central Bank of Sri Lanka, 2023). 2022 saw the highest placement of migrant workers abroad in the past decade, reaching 311,056. Housemaids and unskilled labour accounted for 57.7 per cent of all migrant workers. Exploitation and abuse of migrant workers, specifically women, are rampant (Thisera and Wasantha, 2023).

5.2 Role of government, including existing policies and strategies, in supporting inclusive and sustainable businesses

Businesses are central to the country's recovery from the 2022 financial crisis. The Government of Sri Lanka is seeking to develop an open economic system of social protection with the following underpinnings:

- An export oriented competitive economy
- An environmentally friendly green and blue economy
- A digital economy

Such an economic system is to be driven by private enterprises while the role of the Government will be to regulate markets, invest in infrastructure, correct market failures and maintain law and order. The 2023 budget highlights the role of entrepreneurs and private enterprises and the Government's role in facilitating entrepreneurship through business-friendly regulations and minimizing market distortions resulting from government interventions.

Central to reducing market distortions will be the planned divestiture and reform of SOEs,

which add a significant amount of pressure on government finances and commercial lending markets (Central Bank of Sri Lanka, 2023). The 52 largest SOEs alone incur annual losses of approximately 86 billion Sri Lankan rupees, and in line with the conditions of the IMF facility, the Cabinet has approved the sale of seven SOEs and robust reforms for other SOEs (Daily FT, 2023).

With the reorientation towards a market-led economy, the Government will play the traditional roles of redistributor (carried out primarily through taxation of economic activities and distribution to other sectors) and regulator (establishing fair competition and regulatory frameworks to ensure equal opportunities for businesses and equitable practices in industry) (Freeman and Burton, 2018) (Stiglitz, 2021). In addition, the Government will be the facilitator of industrialization and value creation, including the development of human capital, rapid entry of new enterprises and technological innovation (Daokui Li and Maskin, 2021). Recognizing the impact of COVID-19, the Government will also need to consider its role in the socialization of risk or assist the private sector in responding to events so that social disparities are not exacerbated (Stiglitz, 2021).

The Government of Sri Lanka has put in place several key policies, road maps and initiatives stipulating its role as a market regulator, facilitator and participant. While these policies, road maps and initiatives do not directly recognize ISBs, they have the capacity to promote and create an enabling environment for ISBs.

The policies mainly address sustainability challenges. Other government policies related to addressing social needs (e.g. on health services delivery, nutrition, education and rural agriculture development), do not envision a role for the Government as a market regulator or facilitator of ISBs. The National Policy on Gender Equality and Women's Empowerment (2023) outlines areas where the Government will seek to play an active role in safeguarding the rights of women and gender minorities and promoting their rights in the private sector (Ministry of Women, Child Affairs and Social Empowerment, 2023). However, the policy does not outline how the Government could facilitate greater private sector action to promote

the rights of women and gender minorities. While the Government displays growing recognition of the contribution of the private sector to the achievement of environmental and sustainability targets, there is limited recognition and facilitation of the private sector, in particular ISBs, to achieve social development targets.

Policy coherence and stability is critical to create an enabling environment for the private sector to invest and thrive. Inconsistent, overlapping and conflicting policies have been cited as key areas of concern that cause confusion and impede rapid socioeconomic development (National Planning Department, 2023). Key informants expressed concerns regarding the conflicting messaging arising from overlapping and conflicting policies. Therefore, maintaining policy consistency and clarity will be vital for the development of ISBs, including creating a stable policy environment that is conducive to attracting local and foreign investment to scale ISBs. Adopting outcome-based monitoring and evaluation frameworks will be critical to ensure that policies deliver the desired results for a sustainable and inclusive economy.



Government role	Policy and relevance to ISBs sector
Regulator	National Policy on Gender Equality and Women's Empowerment (2023) The policy aims for a society where everyone regardless of gender enjoys equal rights, freedoms and opportunities in both public and private spheres.
Facilitator/ Regulator	National Policy on Sustainable Consumption and Production (2019) The policy aims to reduce resource use, minimize waste and pollutants, and encourage sustainable practices across all economic sectors. It includes targets such as reducing food waste and managing chemicals for minimal environmental impact by 2030, emphasizing waste reduction and sustainable procurement.
Facilitator/ Regulator	Sustainable Housing and Construction Road Map 2020–2050 (2020) The road map guides the construction sector toward resource-efficient and sustainable practices, reshaping the industry's operations.
Facilitator/ Regulator/ Participant	Carbon Net Zero 2050: Road map and strategic plan (2023) The road map and strategic plan outline strategies to reduce greenhouse gas emissions and enhance carbon sequestration, aiming for carbon neutrality through focused climate actions.
Facilitator/ Participant	Climate Prosperity Plan (2022) The plan introduces a framework to facilitate energy transition and enhance climate resilience in development. At its core, the plan outlines strategies for the energy transition to renewable sources and the promotion of sustainable economic transformation through reskilling and training the workforce for climate resilient and green jobs.
Facilitator	Renewable Energy Resource Development Plan 2021–2026 (2019) The plan promotes large-scale renewable energy projects, with a focus on solar, wind and biomass-based electricity, contributing to sustainable energy solutions.
Facilitator	National Adaptation Plan of Sri Lanka: 2016–2025 (2016) Aligned with the guidelines of the United Nations Framework Convention on Climate Change, the plan targets adaptation at sectoral and national levels, identifying vulnerable sectors and proposing adaptation options for practical implementation.
Facilitator/ Regulator	National Environment Action Plan 2022–2030 (2022) The action plan addresses twenty-first century environmental challenges, aligning with the SDGs and focusing on nine thematic areas, offering intervention strategies, resource mobilization plans, and more.
Facilitator/ Regulator	National Energy Potentials, Strategies, and the Road Map for Next Decade 2023–2033 (2022) The plan outlines possibilities and strategies for a Sustainable Energy Security Strategic Plan, addressing hydro, wind, solar, hydrogen and thermal energy sources.

Government role	Policy and relevance to ISBs sector
Facilitator/ Regulator	National Action Plan on Plastic Waste Management (2021) The plan adopts a preventative approach, emphasizing the 3R waste hierarchy (reduce, reuse and recycle) to achieve zero landfill and promote a circular economy.
Facilitator/ Regulator	National Framework on Eco-Labeling The framework supports eco-labelling schemes, encouraging environmentally friendly practices and responsible consumer behaviour.
Facilitator/ Regulator	Sustainable Tourism Certification Scheme, Sri Lanka Tourism Development Authority (2018) The certification encourages sustainable practices in the tourism sector, enables businesses to market their sustainability and showcase their environmental and community benefits.
Facilitator/ Regulator	Organic Product Certification, Sri Lanka Standards Institute The certification scheme ensures compliance with organic standards, promoting sustainable farming practices and access to local and international markets.
Facilitator/ Regulator	Issuance and Trading of Green Bonds, Colombo Stock Exchange The stock exchange will enable listing and trading of green bonds so that Sri Lankan companies can raise funds for green projects and attracts foreign investors.
Facilitator/ Regulator	Road Map to Sustainable Finance (2019) The road map outlines comprehensive strategies to embed sustainable finance practices in Sri Lanka. It empowers financial institutions to manage environmental, social and corporate governance risks and support environmentally friendly businesses. By fostering policy coherence, enhancing resilience and promoting innovative green and climate finance products, the road map seeks to attract private capital for sustainable investments across the entire financial sector.
Regulator	Sri Lanka Green Finance Taxonomy The taxonomy classifies environmentally sustainable economic activities, underpinning the Road Map for Sustainable Finance. Harmonizing with international standards while considering the local context, the taxonomy paves the way for low-cost funding for green initiatives, promoting a broad spectrum of sectors from forestry to finance.
Facilitator/ Regulator	Strategic Plan for Sri Lanka Tourism 2022–2025 The plan outlines priorities and justifications for actions aimed at steering the recovery and enhancing the future resilience of the tourism sector. It emphasizes the potential for the sector's recovery within two years and advocates for a tourism model that is more inclusive, sustainable and resilient.

5.3 Role of the private sector

There are notable examples of private enterprises in Sri Lanka delivering social and environmental impact through purposeful mission-driven operations (see selected examples in section 4).

Several large enterprises from the export-oriented apparel and garment, agriculture and tourism sectors in Sri Lanka have shown a strong commitment towards adopting inclusive and sustainable practices for delivering positive social and environmental outcomes. Investment in dyes and chemicals which have minimal impact on the environment, innovative dyeing methods which consume less water, recycling wastewater, fabrics made from upcycled and repurposed waste materials, waste reduction, and procuring energy through renewable sources have become central to the strategic objectives of large apparel exporters. By sharing technical knowledge, weather data and climate change adaptation technologies, and offering a guaranteed price before cultivation through buy back agreements, large agriculture aggregators seek to build climate resilient and economically empowered smallholder farmers. Large hotel operators see inclusive and sustainable practices as central to their strategic objectives and product and service offerings, from designing facilities with minimal alteration to the natural habitat, preserving flora and fauna, and engaging local communities directly for the delivery of services.

Similarly, some SMEs in Sri Lanka are actively engaged in delivering positive social and environmental outcomes. According to the State of Social Enterprises in Sri Lanka report, an estimated 10 per cent or 8,100 SMEs are social enterprises (Lanka Social Ventures and Social Enterprise UK, 2018). Considering ISBs are more broadly defined than social enterprises, it is reasonable to expect the estimated percentage of ISBs among SMEs is higher. According to the report, many organizations surveyed did not necessarily consider themselves to be social enterprises, even though they met the study's defining criteria. Likewise, many businesses that already deliver societal and environmental impact do not recognize themselves as ISBs.

An estimated 27 per cent of cooperatives in Sri Lanka are social enterprises (Lanka Social Ventures and Social Enterprise UK, 2018). Cooperatives have had reasonable success as farmer-based organizations and/or producer groups (ILO, 2018) with examples such as the Small Organic Farmers Association, Udayarkaddu Cooperative (ILO, 2020), Puthukkudiyiruppu D.S. Division Women Entrepreneurs' Cooperative Society (ILO, 2018), Morawak Korale Tea Producers' Cooperative Society (Mahindapala et al., 2020), Malarum Bhoomi Women Farmers' Development Cooperative and Kalimodai Punyankulam Thrift and Credit Cooperative Society (ILO, 2019) among others. However, many cooperatives that have demonstrated success in integrating members

Several large enterprises from the export-oriented apparel and garment, agriculture and tourism sectors in Sri Lanka have shown a strong commitment towards adopting inclusive and sustainable practices for delivering positive social and environmental outcomes.



Photo: Sustainable Development Council of Sri Lanka

of marginalized communities, including women, into economic activities and increasing their incomes, do not recognize themselves as ISBs, and this limits their potential to seek recognition and investment that could enable them to scale their impact and operations.

The impact of large enterprises, SMEs and cooperatives has already been recognized, measured and communicated, and this is key to promoting ISBs. A wider multi-stakeholder approach in the private sector is required to create an enabling environment for impact businesses through capacity development, awareness and recognition, and business coaching for impact business leaders to adopt and implement strategies that recognize and amplify the impact they generate, including developing public statement on the business's commitment to delivering impact and reporting on the impact generated.

Recognizing impact businesses across all sectors that deliver inclusive and sustainable outcomes and reporting on the same will help set standards that will become the norm, encouraging other enterprises that are not already creating purposeful impact to follow. This would increase the pool of investment opportunities and make it more attractive for impact investors.

Sustaining and scaling the positive social and environmental impact delivered by SMEs and cooperatives is critical. However, doing so is challenging for SMEs in particular, as their organizational strategies tend to be driven largely by concerns for survival and operational needs. Cooperatives may suffer from bureaucratic inefficiencies, political interference and limited finances that hinder agility and innovation. Embedding a missions driven approach to generating impact can help to minimize such challenges by increasing public visibility, accountability and a collective purpose towards delivering consistent and purposeful impact that is publicly reported.

Large enterprises in Sri Lanka can play a significant and impactful role in creating an enabling environment for ISBs among SMEs

and cooperatives, thereby taking a collective step towards a private sector underpinned by principles of inclusivity and sustainability, operating in a spirit of collaboration. The main export sector of Sri Lanka, apparel and garments, is synonymous with the "Garments without Guilt" movement, which was one of the first in the world to put in place self-imposed high employment standards and to robustly promote the same. Helping ISBs, in particular SME and cooperatives, in other sectors to develop and promote similar campaigns will help elevate the overall status of ISBs in Sri Lanka and business commitment to delivering purposeful impact.

Large enterprises often have the resources and expertise which SMEs and cooperatives may not have to implement sustainability initiatives and adopt green technologies. A collaborative spirit can help to connect large enterprises with smaller ISBs that are unable to secure large capital investments alone, both due to the required up-front investment and the scale of operation needed to realize a return. For example, a leading garment manufacturer is in discussions with smaller ISBs to share capacity at the wastewater discharge plant to treat discharge water from the dye process of the smaller ISBs. Several large enterprises from a variety of sectors are partnering with smaller ISBs to provide off-cuts and waste materials for upcycling and repurposing.

Large enterprises can integrate SMEs and cooperatives into their supply chains. Several key informants from large enterprises highlighted programmes where SMEs were incubated and connected with their supply chains. Large enterprises were provided with a known and reliable supplier, and the SME gained access to international markets. Another key informant highlighted their efforts to organize farmers into producer groups under their out-grower programmes. Such ISBs are ideal for replication across other supply chains but require collaborative platforms where such cases can be built, shared and studied.

Chambers of commerce and industry associations can play a vital role in advocating for inclusivity and sustainability and in providing a platform for

sharing knowledge and best practices. These stakeholders can advocate for government incentives that encourage collaboration to scale up impact, promote inclusivity and sustainability standards, offer capacity-building programmes and facilitate networking among businesses to promote inclusive and sustainable practices.

Chambers and industry bodies together with the Government can partner with international development organizations to engage global supply chains stakeholders (e.g. buyers, brands, retailers) to support Sri Lanka's efforts to promote ISBs. This may include the promotion of fair trading terms, awareness generation and promotion in their target consumer markets, and mandates to source from enterprises that demonstrate a strong commitment to deliver inclusive and sustainable outcomes.

5.4 Financing landscape

5.4.1 Challenges in the financing landscape

In addition to the usual constraints businesses face to access finance, ISBs encounter unique challenges that further constrain their ability to secure financing at a reasonable cost.

To deliver societal and environmental impact, ISBs may engage higher risks, offer lower profitability or require more time capital to generate profits compared to other enterprises in the private sector that primarily aim to maximize profits.

For commercial lenders (e.g. commercial banks), ISBs are still a relatively new concept and the lack of awareness among lenders means that ISBs are disadvantaged and preferred less.

Development finance institutions (DFIs) may finance ISBs, however they fund large investments. The smaller ISBs face a mismatch between the size of funding offered by DFIs and the funding required. There is a gap for smaller ticket-size investments to finance smaller ISBs. ISBs rarely conduct impact measurement, which are essential to attract impact investments. Investors are also less inclined to invest in Sri Lanka due to the lack of developed secondary markets to exit investments and restrictions to take capital out of Sri Lanka.

5.4.2 Catalysing ISBs through financing

A strong investment and financing environment conducive to ISBs is essential for scaling up their operations and impact. Creating such an environment will require a multi-stakeholder approach.

It will be critical to continue and deepen multi-stakeholder discussions led by the Ministry of Finance with the participation of the Central Bank, Colombo Stock Exchange, regional and local impact investors, international and local development funding institutions, ISBs and local commercial banks to develop a road map to connect ISBs with existing financing opportunities



and investment instruments (including equity, green and social bonds, gender inclusive financial products, grants, crowdfunding, carbon credits, lending on off-take arrangements) and with domestic and foreign investors and to explore and develop additional financial instruments and regulations that can help address the financing gaps that ISBs face. The road map should identify different financing needs of ISBs (in terms of modality and ticket size) in Sri Lanka, depending on their stage of development) and the current offer by DFIs, mainstream and impact investors and commercial banks. Providing government guarantees that reduce the risks of private investors and taking measures to develop liquid secondary markets, such as a social stock and bond exchange, can help leverage private investments.

With the collaboration of academic and professional institutions and business development service providers, the Government can lead a wide campaign to build the capacities of ISBs to develop theory of change frameworks, and monitoring and evaluation frameworks, and conduct impact reporting that is required to meet the demands of (impact) investors.

ISBs encounter unique challenges that constrain their ability to secure financing at a reasonable cost. A strong investment and financing environment conducive to ISBs is essential for scaling up their operations and impact. Creating such an environment will require a multi-stakeholder approach.

5.5 Intermediary and support organizations

A vibrant ecosystem of investment intermediaries well versed with impact investment, and green, social, and sustainable financing instruments will be essential to connect ISBs with funding opportunities, provide due diligence services to impact investors, ensure periodic and accurate impact reporting, provide legal expertise to ensure risks are minimized and source exit opportunities for investors.

The following is a non-exhaustive list of national and foreign intermediaries and support organizations that can play a critical role in the implementation of the strategy.

Global multilateral organizations

The **International Finance Corporation (IFC)** finances private-enterprise investment in developing countries, through both loans and direct investments. IFC with Commercial Bank loaned \$50 million to help SMEs in Sri Lanka to deal with the adverse economic impacts of COVID-19.

The **International Labour Organization (ILO)** promotes social justice and decent work and plays a significant role in shaping international labour standards and policies. Together with Ceylon Biscuits Limited and Alli Food Pvt. Ltd, ILO explored two new value chains, maize and black gram, to generate employment and income for local communities, particularly for women.

The **United Nations Development Programme (UNDP)**, as part of its efforts to promote sustainable development, promotes human rights and responsible business practices. It supports governments and firms to adopt the United Nations Guiding Principles on Business and Human Rights, encouraging trade and investment based on values.

The **International Fund for Agricultural Development** focuses on eradicating rural poverty and promoting sustainable agricultural development. Its Smallholder Agribusiness Partnerships Programme seeks to enhance the

incomes and elevate the dietary quality of 57,500 smallholder households by enlarging livelihood and business prospects in agriculture, all while ensuring sustainable practices.

The **Food and Agriculture Organization of the United Nations (FAO)** addresses issues related to food security, agriculture, rural development and sustainable natural resource management. FAO, together with the European Union, facilitated two contract farming agreements between farmer groups in the Ampara district and Sunfrost (Pvt) Ltd of Hayleys Agriculture Holdings for an export-oriented green cucumber and cassava cultivation programme and a pineapple production programme.

The **World Bank** is an international financial institution that provides financial and technical assistance to developing countries for development projects related to infrastructure, social services and economic growth. The World Bank lent \$400 million dispersed through IFC to three private banks to facilitate imports of crucial food and medical supplies.

The **United Nations Global Compact Network** is a voluntary initiative for businesses committed to aligning their operations and strategies with 10 universally accepted principles in human rights, labour, environment and anti-corruption. Its SDG Innovation Accelerator provides a nine-month programme to strengthen companies' commitment to their respective targets related to climate action, gender equality, business and human rights, and sustainable supply chains.

Regional multilateral organizations

The **Asian Development Bank** supports economic and social development in Asia and the Pacific. It provided an investment of up to \$80 million to John Keells Holdings PLC to enhance the food value chain in Sri Lanka, foster economic growth and generate employment opportunities.

The **Asian Infrastructure Investment Bank** is an intergovernmental regional development institution modelled to operate as a multilateral development bank. The Bank enables clients to build infrastructure for tomorrow (i4t) – green

infrastructure with sustainability, innovation and connectivity at its core – and for society to share in that success. It does this by unlocking finance that brings this vision to fruition.

The **European Investment Bank** is the world's largest multilateral lender and has been actively supporting capital investment projects in Sri Lanka since 2001. It is one of the world's main financiers of climate action, and Sri Lanka is in discussions with the Bank to seek financing for green projects and technical assistance on investment in green bonds.

Bilateral donor/development agencies

The **United States Agency for International Development (USAID)**, is a United States government agency focused on providing foreign aid and development assistance with a goal to reduce poverty, promote stability, and support sustainable development in partner nations. The CATALYZE Private Sector Development programme aims to bolster economic expansion by enhancing the availability of high-quality financing and business services for MSMEs in sectors with considerable growth potential in Sri Lanka.

GIZ is a service provider in the field of international cooperation for sustainable development and education. Their work includes economic development and employment promotion, energy and the environment, and peace and security. Under a project to support SMEs in the organic agriculture sector in Sri Lanka, GIZ partnered with Lanka Good Market (Guarantee) Ltd to offer a platform for farmer communities to share their stories and lessons learned, thus creating a valuable insider's perspective into the organic agriculture sector.

The **Australian Agency for International Development** in Sri Lanka aims to provide humanitarian assistance in response to the economic crisis, including food, health and protection support; promote reform to foster economic growth; improve employment opportunities and livelihoods for disadvantaged Sri Lankans; and support education and training through Australia Awards scholarships.

The **Japan International Cooperation Agency (JICA)** has provided Sri Lanka with technical cooperation projects since 1954 and concessionary official development assistance loans since 1977. Since then, JICA continues to support the Government of Sri Lanka to implement a wide range of projects. JICA focuses on three priority areas in Sri Lanka: promoting quality growth, development cooperation for inclusive growth, and mitigating vulnerability. These initiatives contribute to the sustainable development of Sri Lanka and foster stronger relations between Japan and Sri Lanka.

The **Korea International Cooperation Agency (KOICA)** has served as platform and pivotal partner for development cooperation in Sri Lanka since 1995. The office implements cooperation programmes, including partnerships with international development cooperation agencies, World Friends Volunteers programmes, capacity-building programmes, multilateral cooperation, public-private partnership, emergency response in priority cooperation areas of education, transport, water management and sanitation, and rural development.

Local non-governmental and other organizations

Chrysalis is a non-governmental organization empowering women and youth development to ensure gender equality and create an environment that embraces diversity by working with both private and government sectors. It works with the private sector to improve workplace diversity and gender equality, and with government ministries on establishing and implementing supportive policies and regulations. It engages other stakeholders on issues of gender equality, gender-based violence, building peaceful communities and emergency preparedness.

The **Centre for Child Rights and Business** is a non-profit organization dedicated to improving the lives of children and their families affected by business supply chains and building responsible businesses by promoting transparency and creating family-friendly workplaces and services etc. Along with Save the Children Sri Lanka and English Tea Shop, the Centre partnered

for a pioneering child benefit pilot programme, introducing child benefit allowances/incentives for parent workers, to support them in investing in their children's well-being.

The **Sarvodaya Shramadana Movement** is a community development organization addressing social, economic and cultural challenges. HSBC Sri Lanka collaborated with Lanka Jathika Sarvodaya Shramadana Sangamaya in a two-year initiative with an investment of 40 million Sri Lankan rupees to empower women entrepreneurs in five provinces of Sri Lanka by addressing their unique challenges and cultivating a favourable environment for business growth.

Palladium International, LLC is a global development consultancy firm with presence in Sri Lanka that works with governments, businesses and investors to solve the world's most pressing challenges, including supporting impact-driven businesses access the funding, technical capacities and markets required to scale their impact. Palladium's Sri Lanka unit also acts as an administrator of grants, including those targeting SMEs and impact driven businesses.

Good Life X promotes ethical and sustainable business concepts and offers free incubation, acceleration, business development, funding and partnership services to enterprises with a social or environmental focus. It supports start-ups and established companies in Sri Lanka and Asia to expand their offerings globally, particularly in sectors such as food, agriculture, wellness, travel, technology and renewable energy. Its THRIVE Business Model Canvas helps companies (re) design and transform their business from extractive to regenerative models. It is a versatile tool that can be adopted by SMEs and larger corporations.

Hatch, in Colombo, is a platform with a strong emphasis on social and environmental impact supporting startups with incubation and acceleration services, and co-working space.

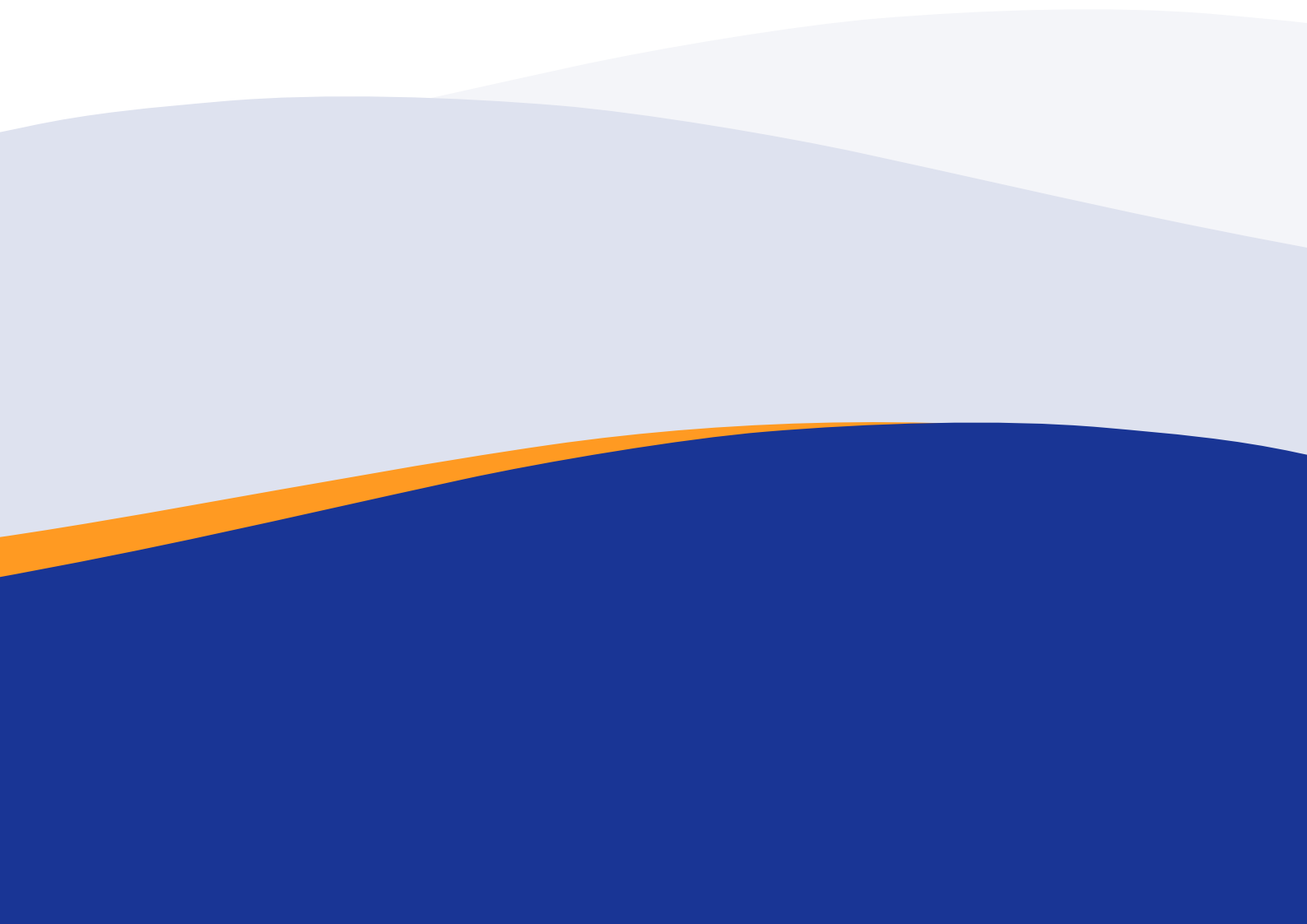
Lanka Impact Investing Network (LIIN) channels private capital to address social and environmental issues. LIIN actively supports social enterprises

through impact investment funds and providing essential business development aid to local entrepreneurs. As co-owner of Ath Pavura, the first reality television programme connecting social entrepreneurs with investors, and as organizer of the Emerging Women's Summit, LIIN actively promotes female leadership in social entrepreneurship and impact investing.

Lanka Social Ventures is a social enterprise that supports entrepreneurship and innovation for social change and environmental sustainability. It coordinates business coaching, mentoring, training, seminars, exhibitions, competitions and exposure visits, and it provides fundraising and incubator and accelerator services for entrepreneurial individuals, community organizations and SMEs.

SLYCAN Trust is a non-profit think tank working on climate change, sustainable development, biodiversity and ecosystem conservation, animal welfare and social justice, including gender and youth empowerment. Its work spans the national, regional and global level from policy analysis and evidence-based research to on-the-ground implementation.

CLIMAFUGE aims to transform businesses by providing ethical, sustainable and climate-friendly solutions, including through innovative investment and inclusive partnership models in fashion, food systems, tourism and waste management in Asia, Africa and Europe. To date, CLIMAFUGE has provided accelerator support to two cohorts of sustainable and ethical fashion enterprises in Sri Lanka.



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